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U S WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 429-3135
FAX 202 296-5157

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USWEST

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OCT 25 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

NOTICE OF WRITTEN EX PARTE

October 25, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Mail Stop 1170
Washington, D.C. 20554

RE: CC Docket 92-77, Billed Party Preference

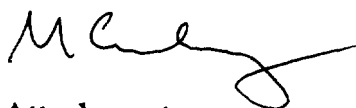
Dear Mr. Caton:

Today U S WEST submitted to Mark Nadel of the Policy Program and Planning Division, the attached letter and attachments regarding Billed Party Preference (BPP). U S WEST hereby submits the attached documents to be included in the record for the above mentioned proceeding.

In accordance with Section 1.1206(a)(2) of the Commission's rules the original and one copy of this letter with attachments are being filed with your office.

Acknowledgment and date of receipt of this data are requested. A duplicate of this letter is included for this purpose. Please contact me should you have any questions concerning this matter.

Sincerely,



Attachments

cc: Mark Nadel

No. of Copies rec'd
List ABCDE

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U S WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 429-3135
FAX 202 296-5157

G. Michael Crumling
Executive Director-
Federal Regulatory

October 25, 1994

Mr. Mark Nadel
Policy and Program Planning Division
Federal Communications Commission
1919 M Street, N.W., Room 544
Washington, D.C. 20554

RE: CC Docket 92-77, Billed Party Preference

Dear Mr. Nadel:

U S WEST Communications (USWC) Reply Comments, filed September 14, 1994, in CC Docket 92-77 regarding Billed Party Preference (BPP) stated in footnote 48 that we did not understand how the Commission arrived at its stated recurring costs for U S WEST. This was based on our attempt to match up the figures shown on Appendix C of the FNPRM with the figures that were submitted by U S WEST in our August 16, 1993 Ex Parte.

In recent conversations you clarified that the Appendix C recurring charges reflected only "Repair and Maintenance" and "Operator Salaries" from Attachment A of our Ex Parte, which total \$27.8M as indicated on Appendix C of the FNPRM. In estimating the total costs of BPP, the FCC notes in footnote 43 of the FNPRM that LECs would seek a recurring charge of approximately 29% of their nonrecurring capital investment and expense. We now understand that you used this annual charge factor to determine total annual industry cost estimates for BPP.

Such an approach would have the following effect on the numbers in footnote 76 of our reply comments. Also, the Assumptions Regarding Costs have been modified to incorporate the assumptions used by the FCC, and are as follows:

1. USWC's nonrecurring capital and expense totals \$149.9M, and based upon a 29% annual amortization would represent an annual recurring charge of \$43.5M.

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2. USWC's recurring expense is \$27.8M (Repair and Maintenance, and Operator Salaries).
3. USWC's total annual estimated costs for BPP, excluding USWC's balloting and service order costs, would be \$71.3M over a five year period (combining 1, and 2 above).

The Assumptions Regarding LIDB are unchanged.

Using the revised assumptions the per call cost estimates described on page 26 of USWC's reply comments become \$.37, \$.74, and \$1.23 for the three scenarios outlined.

In addition, USWC's reply comments, at 17, identify additional balloting and service order costs. USWC's balloting and service order costs to implement BPP would be \$29.7M, and, amortized on a straight line method over a five year period would equal \$5.9M per year. Including these additional costs, the per call cost estimates described on page 26 of USWC's reply comments become \$.40, \$.80, and \$1.33 for the three scenarios outlined. The small difference in costs between the methodology USWC employed and that used by the FCC still illustrate that what the Commission faces with BPP deployment is a convenience surcharge far in excess of a "few cents."

Further, BPP is not necessary for customer "access" to preferred carriers. As a result of increased carrier access opportunities, customers have become very familiar with access codes and other dial-around calling arrangements (e.g., calling card, 950- or 1-800-type calls). The Commission should encourage the investments and development of technologies that increase the ability of consumers to make real-time choices with respect to each interstate call they make.

Increasingly sophisticated technologies such as voice activation or "Smart Cards," provide this choice. "Smart Cards" are generally defined as cards containing an integrated circuit embedded within the card itself. The original iteration of these cards involved a form of passive intelligence. Carrier "cash cards," for example, are a form of "simple" Smart Card, containing passive intelligence. The user is able to "draw down" on a prefunded amount (the amount being coded into the circuitry's memory). Such cash cards were originally introduced in

Mr. Mark Nadel
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Europe by PTT's attempting to cut down on the amount and number of coin-calling being done, and to reduce the fraud associated with payphone calling. U S WEST has recently introduced a cash card and modified its access tariff to allow for usage of the card. Attached is some material discussing the uses and benefits of the card.

The next generation of Smart Card technology is on the near horizon. It will involve much more dynamic intelligence and will permit significant interactivity. An electronic purse function, for example, will greatly expand the types and kinds of purchasing choices available to consumers with regard to a whole range of transactions, from telecommunications to banking to retail sales. Given the ability of the consumer to "program" the next generation of Smart Cards, it is predictable that the technology will permit the consumer to choose his/her carrier of choice for payphone calling, but with far greater flexibility than that suggested by BPP. The individual cardholder will probably be able to program the card based on a recently seen or heard advertisement, or to make a change at the actual point of calling (for whatever reason such a change might be deemed appropriate). As we stated in our comments, U S WEST sees this kind of real-time and immediate customer choice technology and innovation far superior to the model suggested by BPP.

Should you have any questions regarding this information please contact me.

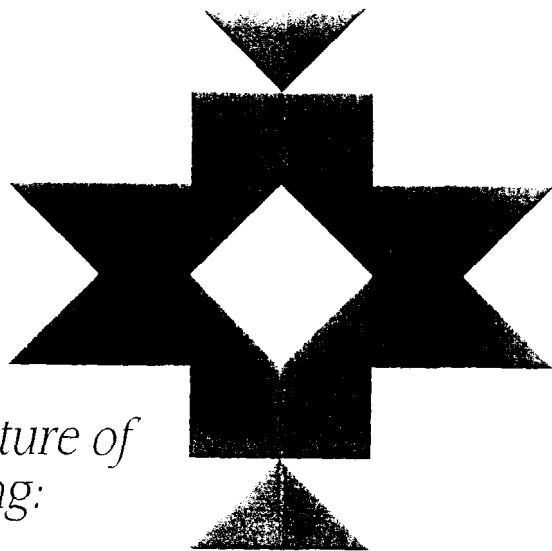
Sincerely,

A handwritten signature in dark ink, appearing to read 'M. Nadel', with a stylized, sweeping flourish at the end.

Attachments

*Discover the future of
pay phone calling:*

- No need for bulky, noisy change.
- Easy to carry, easy to use.
- Discounts on higher denominations.



Convenient
no-coin calling:
The U S WEST[®]
Telecard.



U S WEST[®]

U S WEST[®]

How to use your U S WEST[®] Telecard

Look for specially marked pay phones that accept the U S WEST Telecard. Telecard pay phones are just as easy to use as traditional coin-operated pay phones . . . and even more convenient.



Insert your U S WEST Telecard into the yellow slot, with the card's gold computer chip facing up and its picture side facing down.



Insert your Telecard into the yellow slot on the pay phone.

Follow the visual prompts on the pay phone's screen, or the voice prompts you hear through the receiver.

Call the number you want to reach. The cost of the call will be displayed before you are connected. As you talk, the cost of the call is deducted from the value on your card.


Hang up when you're done. The pay phone automatically tells you how much is left on your card.

More calls for your money

U S WEST Telecards can even save you money with discounts on higher denominations:

\$22 card — *your cost* \$20.
\$11 card — *your cost* \$10.
\$5.25 card — *your cost* \$5.
\$3 card — *your cost* \$3.

For frequent card users, the discounts on higher denomination cards offer a savings value that can really add up!



↑
INSERT
THIS
DIRECTION
THIS
SIDE UP

For Local Calls:

1. Lift Receiver
2. Listen for Tone
3. Insert Telecard
4. Dial Telephone Number
5. When Finished, Hang Up and Remove Card

For Long Distance Calls:

1. Lift Receiver
2. Listen for Tone
3. Insert Telecard
4. Dial 1+ Area Code + Telephone Number
5. When Finished, Hang Up and Remove Card

Refund Information: 1-800-477-7211

Photo: Chief's Headdress, C. 1890, courtesy of The Museum at Warm Springs

USW
1
5/5

Edition: 1 Series: 5 of 5

Quantity: 10,000

Issue Date: March 1994

THIS CARD HAS CASH VALUE.